

## Message Text

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PAGE 01 VANCOU 00137 111621Z

ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00  
CIEP-02 COME-00 DODE-00 FEAE-00 FPC-01 H-02 INR-07  
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-15  
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-10 PA-02 PRS-01  
/119 W

-----111834Z 009815 /43

P R 102230Z FEB 77

FM AMCONSUL VANCOUVER

TO SECSTATE WASHDC PRIORITY 3313

INFO AMEMBASSY OTTAWA PRIORITY

AMCONSUL CALGARY

UNCLAS VANCOUVER 0137

E.O. 11652: NA

TAGS: ENRG, CA US

SUBJECT: ENERGY: KITIMAT OIL PIPELINE PROJECT

1. VANCOUVER SUN OF FEBRUARY 10 CARRIES FOLLOWING FRONT PAGE HEADLINE: "OTTAWA 'HAS ACCEPTED KITIMAT PIPELINE'." ACCORDING TO HEADLINE STORY, THE SUN OBTAINED ON FEBRUARY 9 A "CONFIDENTIAL" REPORT BY THE B.C. ENERGY COMMISSION ("A DISCUSSION OF ENERGY AND ECONOMIC ISSUES RELEVANT TO THE DEVELOPMENT OF A B.C. POLICY ON TANKER MOVEMENT", DATED SEPTEMBER 17, 1976) WHICH STATES THAT "WE UNDERSTAND THAT THE FEDERAL CABINET CONSIDERED THE KITIMAT PROPOSAL ON AUGUST 12, 1976, AND WERE GENERALLY RECEPTIVE", AND THAT "THEREFORE IT IS LIKELY THAT APPROVAL OF THE NEB WILL BE CONTINGENT ONLY UPON THE SATISFACTION OF TECHNICAL REQUIREMENTS".

2. REPORT ALLEDGEDLY WARNS THE B.C. GOVERNMENT THAT ANY "PREMATURE PUBLIC APPROVAL OF THE (KITIMAT) PROPOSAL" WOULD COMPROMISE A NEGOTIATING ADVANTAGE THROUGH WHICH B.C. SHOULD TRY TO GET "SIGNIFICANT CONCESSIONS". BASED ON EXCERPTS OF THE REPORT QUOTED IN THE PRESS, IT APPEARS THAT "CONCESSIONS" ARE ENVISAGED FROM BOTH THE U.S. AND OTTAWA. IN THE CASE OF THE U.S., B.C.  
UNCLASSIFIED

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PAGE 02 VANCOU 00137 111621Z

SHOULD FAVOR THE KITIMAT PORT CONDITIONAL UPON KITIMAT BECOMING THE TRANSSHIPMENT PORT WHICH SUPPLIES THE BULK OF PUGET SOUND OIL REQUIREMENTS BY PIPELINE, THUS REDUCING JUAN DE FUCA TANKER TRAFFIC TO MARGINALLEVELS. REPORT STATES THAT B.C. CAN TRY TO INSIST ON THIS POINT BECAUSE KITIMAT IS THE CHEAPEST WAY FOR THE U.S. TO GET ALASKAN OIL TO U.S. MIDWEST AND BECAUSE THE PROJECT "TRANSFERS THE ENVIRONMENT RISKS AND COSTS TO B.C. FROM THE U.S."

3. WITH REGARD TO OTTAWA, THE REPORT REASONS THAT THE FEDERAL GOVERNMENT MAY BE TRADING KITIMAT TO THE U.S. IN RETURN FOR AN ENLARGED PIPELINE THROUGH MAINE TO SUPPLY ONTARIO AND QUEBEC AND, IN THAT CASE, B.C. SHOULD RECEIVE FEDERAL ASSURANCES ON A CONTINUATION OF OIL SUPPLY ALLOCATIONS FROM ALBERTA TO PROTECT B.C. FROM MORE EXPENSIVE FOREIGN OIL AND TO KEEP THE TRANS MOUNTAIN PIPELINE IN OPERATION.

4. SUN REPORTS THAT MP FRASER ALSO OBTAINED COPY OF BCEC REPORT AND SAID THAT IT DESTROYS CANADIAN CREDIBILITY ON ENVIRONMENTAL CONCERN ABOUT TANKER TRAFFIC WITH THE U.S.

5. PRESS CLIPPINGS BEING MAILED TO EUR/CAN AND EMBASSY.

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## Message Attributes

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**Channel Indicators:** n/a  
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**Review Markings:**  
Margaret P. Grafeld  
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